

A-H-S-T COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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# A-H-S-T Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### Board of Education (Before September 2005 Election)

John Pattee	President	2005
Mark Schroder	Vice President	2005
Darlene McMartin	Board Member	2005
Laurie Fell	Board Member	2006
Monte Riesgaard	Board Member	2007
Greg Becker	Board Member	2006
Gene McCool	Board Member	2007

### Board of Education (After September 2005 Election)

John Pattee	President	2008
Mark Schroder	Vice President	2008
Darlene McMartin	Board Member	2008
Laurie Fell	Board Member	2006
Monte Riesgaard	Board Member	2007
Greg Becker	Board Member	2006
Gene McCool	Board Member	2007

### School Officials

Charles Scott	Superintendent	2006
Nancy Collins	District Secretary/Treasurer and Business Manager	2006
Brian Gruhn	Attorney	2006
Hanson, Sulhoff & Larson	Attorney	2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
A-H-S-T Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the A-H-S-T Community School District, Avoca, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the A-H-S-T Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2006 on our consideration of the A-H-S-T Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

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inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise A-H-S-T Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 26, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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A-H-S-T Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,031,351 in fiscal 2005 to \$5,395,046 in fiscal 2006, while General Fund expenditures increased from \$5,411,353 in fiscal 2005 to \$5,577,029 in fiscal 2006. Although revenues increased in fiscal 2006, the increase was not enough to offset the increases in District expenditures. This resulted in a decrease in the District's General Fund balance from \$417,821 in fiscal 2005 to a balance of \$248,943 in fiscal 2006, a 40.4% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state revenues as well as tuition revenues in fiscal 2006. The increase in expenditures was due primarily to increases in negotiated salary and benefits. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carry over fund balance.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of A-H-S-T Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report A-H-S-T Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which A-H-S-T Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**A-H-S-T Community School District Annual Financial Report**

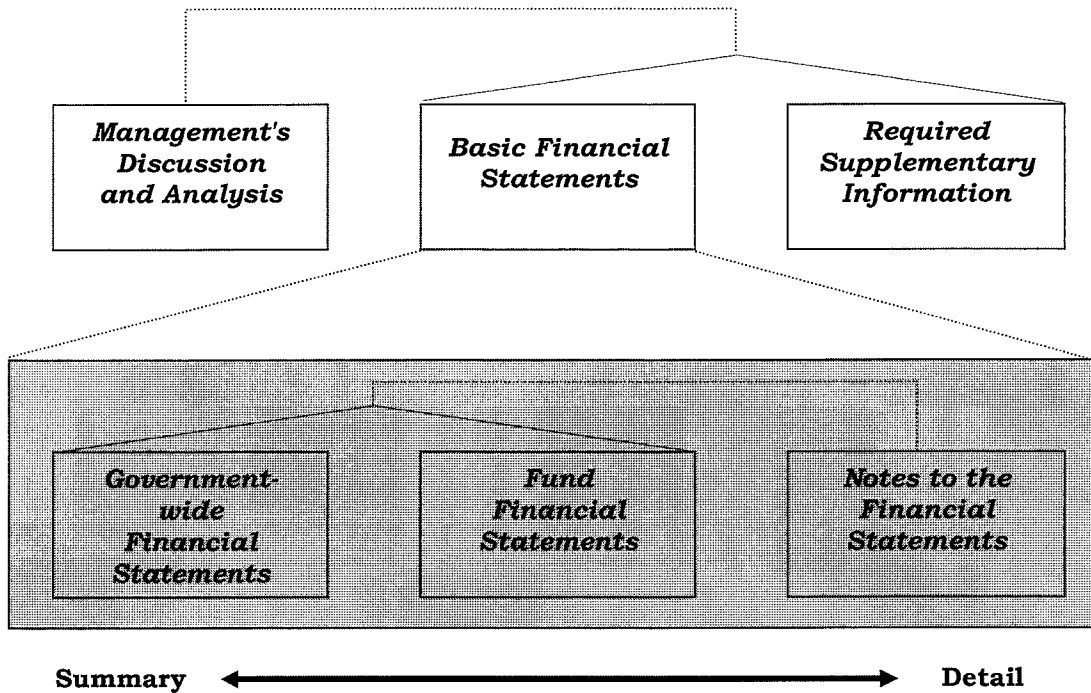


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 4,467,019	4,670,204	52,539	26,812	4,519,558	4,697,016	-3.78%
Capital assets	1,557,881	1,111,160	38,859	38,663	1,596,740	1,149,823	38.87%
Total assets	6,024,900	5,781,364	91,398	65,475	6,116,298	5,846,839	4.61%
Long-term obligations	125,912	159,945	0	0	125,912	159,945	-21.28%
Other liabilities	3,184,946	3,187,219	2,730	4,443	3,187,676	3,191,662	-0.12%
Total liabilities	3,310,858	3,347,164	2,730	4,443	3,313,588	3,351,607	-1.13%
Net assets:							
Invested in capital assets, net of related debt	1,557,881	1,111,160	38,859	38,663	1,596,740	1,149,823	38.87%
Restricted	758,535	908,503	0	0	758,535	908,503	-16.51%
Unrestricted	397,626	414,537	49,809	22,369	447,435	436,906	2.41%
Total net assets	\$ 2,714,042	2,434,200	88,668	61,032	2,802,710	2,495,232	12.32%

The District's combined net assets increased by \$307,478, or 12.32% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$149,968, or 16.51% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$10,529, or 2.41%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 381,896	300,574	124,156	113,679	506,052	414,253	22.16%
Operating grants and contributions and restricted interest	651,527	671,341	109,582	114,125	761,109	785,466	-3.10%
General revenues:							
Local tax	1,921,816	1,875,544	0	0	1,921,816	1,875,544	2.47%
Local option sales and service tax	515,310	436,668	0	0	515,310	436,668	18.01%
Unrestricted state grants	2,550,786	2,425,660	0	0	2,550,786	2,425,660	5.16%
Other	257,829	20,477	2	20	257,831	20,497	1157.90%
Total revenues	6,279,164	5,730,264	233,740	227,824	6,512,904	5,958,088	9.31%
Program expenses:							
Governmental activities:							
Instructional	4,106,606	4,201,117	0	0	4,106,606	4,201,117	-2.25%
Support services	1,561,178	1,469,475	0	0	1,561,178	1,469,475	6.24%
Non-instructional programs	154	0	206,104	228,385	206,258	228,385	-9.69%
Other expenses	331,384	233,797	0	0	331,384	233,797	41.74%
Total expenses	5,999,322	5,904,389	206,104	228,385	6,205,426	6,132,774	1.18%
Change in net assets before capital contributions	279,842	(174,125)	27,636	(561)	307,478	(174,686)	276.02%
Capital contributions	0	0	0	26,332	0	26,332	-100.00%
Change in net assets	279,842	(174,125)	27,636	25,771	307,478	(148,354)	307.26%
Net assets beginning of year	2,434,200	2,608,325	61,032	35,261	2,495,232	2,643,586	-5.61%
Net assets end of year	\$ 2,714,042	2,434,200	88,668	61,032	2,802,710	2,495,232	12.32%

In fiscal 2006, property tax and unrestricted state grants account for 71.2% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$6.51 million of which \$6.28 million was for governmental activities and less than \$0.23 million was for business type activities.

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As shown in Figure A-4, the District as a whole experienced a 9.31% increase in revenues and a 1.18% increase in expenses. Unrestricted state grants increased \$125,126 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits.

### **Governmental Activities**

Revenues for governmental activities were \$6,279,164 and expenses were \$5,999,322. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,106,606	3,268,503
Support services	1,561,178	1,561,178
Non-instructional	154	154
Other expenses	331,384	136,064
Totals	<u>\$ 5,999,322</u>	<u>4,965,899</u>

- The cost financed by users of the District's programs was \$381,896.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$651,527.
- The net cost of governmental activities was financed with \$2,437,126 in local tax, \$2,550,786 in unrestricted state grants, and \$21,127 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$233,740 and expenses were \$206,104. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the A-H-S-T Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,112,423, below last year's ending fund balances of a \$1,337,696.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the product of many factors. Reduction in tax levy during the year resulted in a decrease in tax revenues, however; increases in state grant revenues allowed the revenues to increase. With the increase in revenues came an increase in General Fund expenditures. The total expenditures were still

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enough to offset the total revenues, despite the increases in both, ensuring the decrease of the Districts financial position.

- The Management and Activity Fund combined balance increased from \$87,042 in 2005, to \$136,899 in 2006.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$97,794 to \$150,250. This increase was attributable to the District spending less than \$1,000 from this fund for the entire fiscal year.
- The Capital Projects fund balance decreased from \$735,039 in 2005, to \$576,331 in 2006 due to architecture costs associated with the new high school that is being built.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$61,032 at June 30, 2005 to \$88,668 at June 30, 2006, representing a increase of approximately 45.3%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$97,628 more than budgeted revenues, a variance of approximately 1.5 %. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the district's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, the District had invested \$1,596,740, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 38.9% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$119,342.

The original cost of the District's capital assets was \$4,855,186. Governmental funds account for \$4,661,488 with the remainder of \$193,698 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land and construction in progress categories. As of June 30, 2005, both of these categories had no balance. During fiscal 2006, the balance for land is \$150,113 because the District bought 19 acres of land for construction of a new high school. The construction in progress balance is \$302,786 due to architect fees associated with construction of the new high school.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 150,113	0	0	0	150,113	0	100.0%
Construction in progress	302,786	0	0	0	302,786	0	100.0%
Buildings	801,987	843,933	0	0	801,987	843,933	-5.0%
Land improvements	4,657	5,988	0	0	4,657	5,988	-22.2%
Machinery and equipment	298,338	261,239	38,859	38,663	337,197	299,902	12.4%
Total	\$ 1,557,881	1,111,160	38,859	38,663	1,596,740	1,149,823	38.9%

### Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$125,912 in early retirement. This represents a decrease of approximately 21.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	2006	2005	
Early retirement	\$ 125,912	159,945	-21.3%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The state's economy is showing limited signs of economic recovery. The weak economy has adversely impacted the State of Iowa's budget and has translated into reduced levels of state aid funding for education.
- The increases in utility and transportation costs are still a concern for the District.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Collins, District Board Secretary, A-H-S-T Community School District, P.O. Box 158, Avoca, Iowa, 51521.

## BASIC FINANCIAL STATEMENTS

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 704,020	0	704,020
Other	1,450,937	49,692	1,500,629
Receivables:			
Property tax:			
Delinquent	103,703	0	103,703
Succeeding year	1,923,658	0	1,923,658
Income surtax	169,650	0	169,650
Accrued ISCAP interest(Note 4)	219	0	219
Due from other governments	114,832	0	114,832
Inventories	0	2,847	2,847
Capital assets, net of accumulated depreciation(Note 5)	1,557,881	38,859	1,596,740
<b>TOTAL ASSETS</b>	<b>6,024,900</b>	<b>91,398</b>	<b>6,116,298</b>
<b>LIABILITIES</b>			
Accounts payable	5,921	13	5,934
Salary and benefits payable	537,696	0	537,696
ISCAP warrants payable(Note 4)	705,000	0	705,000
ISCAP accrued interest payable(Note 4)	174	0	174
ISCAP premiums payable	5,365	0	5,365
Deferred revenue:			
Succeeding year property tax	1,923,658	0	1,923,658
Other	7,132	2,717	9,849
Long-term liabilities(Note 6):			
Portion due within one year:			
Early retirement	125,912	0	125,912
<b>TOTAL LIABILITIES</b>	<b>3,310,858</b>	<b>2,730</b>	<b>3,313,588</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,557,881	38,859	1,596,740
Restricted for:			
Salary improvement program	175	0	175
Capital projects	576,331	0	576,331
Physical plant & equipment levy	150,250	0	150,250
Other special revenue purposes	31,779	0	31,779
Unrestricted	397,626	49,809	447,435
<b>TOTAL NET ASSETS</b>	<b>\$ 2,714,042</b>	<b>88,668</b>	<b>2,802,710</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,804,340	330,737	420,789	(2,052,814)	0	(2,052,814)
Special instruction	613,855	51,159	35,418	(527,278)	0	(527,278)
Other instruction	688,411	0	0	(688,411)	0	(688,411)
	<u>4,106,606</u>	<u>381,896</u>	<u>456,207</u>	<u>(3,268,503)</u>	<u>0</u>	<u>(3,268,503)</u>
Support services:						
Student services	45,617	0	0	(45,617)	0	(45,617)
Instructional staff services	82,881	0	0	(82,881)	0	(82,881)
Administration services	586,907	0	0	(586,907)	0	(586,907)
Operation and maintenance of plant services	594,002	0	0	(594,002)	0	(594,002)
Transportation services	251,771	0	0	(251,771)	0	(251,771)
	<u>1,561,178</u>	<u>0</u>	<u>0</u>	<u>(1,561,178)</u>	<u>0</u>	<u>(1,561,178)</u>
Non-instructional programs						
Community service operations	154	0	0	(154)	0	(154)
Other expenditures:						
Facilities acquisitions	92,787	0	0	(92,787)	0	(92,787)
AEA flowthrough	195,320	0	195,320	0	0	0
Depreciation (unallocated)*	43,277	0	0	(43,277)	0	(43,277)
	<u>331,384</u>	<u>0</u>	<u>195,320</u>	<u>(136,064)</u>	<u>0</u>	<u>(136,064)</u>
Total governmental activities	5,999,322	381,896	651,527	(4,965,899)	0	(4,965,899)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	206,104	124,156	109,582	0	27,634	27,634
Total business-type activities	<u>206,104</u>	<u>124,156</u>	<u>109,582</u>	<u>0</u>	<u>27,634</u>	<u>27,634</u>
Total	<u>\$ 6,205,426</u>	<u>506,052</u>	<u>761,109</u>	<u>(4,965,899)</u>	<u>27,634</u>	<u>(4,938,265)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,868,949	0	1,868,949
Capital outlay				52,867	0	52,867
Local option sales and service tax				515,310	0	515,310
Unrestricted state grants				2,550,786	0	2,550,786
Unrestricted investment earnings				27,127	2	27,129
Gain on sale of equipment				13,105	0	13,105
Other				217,597	0	217,597
Total general revenues				<u>5,245,741</u>	<u>2</u>	<u>5,245,743</u>
Changes in net assets				279,842	27,636	307,478
Net assets beginning of year				<u>2,434,200</u>	<u>61,032</u>	<u>2,495,232</u>
Net assets end of year				<u>\$ 2,714,042</u>	<u>88,668</u>	<u>2,802,710</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Capital Projects	Nonmajor Special Revenue	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 704,020	0	0	704,020
Other	681,687	478,262	290,988	1,450,937
Receivables:				
Property tax				
Delinquent	99,694	0	4,009	103,703
Succeeding year	1,728,459	0	195,199	1,923,658
Income surtax	169,650	0	0	169,650
Interfund	3,432	0	0	3,432
ISCAP accrued interest(Note 4)	219	0	0	219
Due from other governments	16,323	98,509	0	114,832
<b>TOTAL ASSETS</b>	<b>\$ 3,403,484</b>	<b>576,771</b>	<b>490,196</b>	<b>4,470,451</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 0	0	3,432	3,432
Accounts payable	1,065	440	4,416	5,921
Salaries and benefits payable	537,696	0	0	537,696
ISCAP warrants payable(Note 4)	705,000	0	0	705,000
ISCAP accrued interest payable(Note 4)	174	0	0	174
ISCAP premiums payable	5,365	0	0	5,365
Deferred revenue:				
Succeeding year property tax	1,728,459	0	195,199	1,923,658
Income surtax	169,650	0	0	169,650
Other	7,132	0	0	7,132
Total liabilities	<b>3,154,541</b>	<b>440</b>	<b>203,047</b>	<b>3,358,028</b>
Fund balances:				
Reserved for:				
Salary improvement program	175	0	0	175
Unreserved:				
Undesignated	248,768	576,331	287,149	1,112,248
Total fund balances	<b>248,943</b>	<b>576,331</b>	<b>287,149</b>	<b>1,112,423</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,403,484</b>	<b>576,771</b>	<b>490,196</b>	<b>4,470,451</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 1,112,423
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,557,881
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	169,650
Early retirement liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(125,912)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 2,714,042</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Nonmajor Special Revenue	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,732,995	515,310	192,541	2,440,846
Tuition	203,872	0	0	203,872
Other	196,509	4,673	162,209	363,391
Intermediate sources	59,357	0	0	59,357
State sources	3,028,117	0	0	3,028,117
Federal sources	174,196	0	0	174,196
Total revenues	5,395,046	519,983	354,750	6,269,779
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	2,860,752	0	30,885	2,891,637
Special instruction	613,855	0	0	613,855
Other instruction	533,286	0	154,171	687,457
	4,007,893	0	185,056	4,192,949
Support services:				
Student services	45,617	0	0	45,617
Instructional staff services	82,881	0	0	82,881
Administration services	568,003	0	18,904	586,907
Operation and maintenance of plant services	415,714	133,852	47,630	597,196
Transportation services	261,447	0	0	261,447
	1,373,662	133,852	66,534	1,574,048
Non-instructional:				
Community service operations	154	0	0	154
Other expenditures:				
Facilities acquisitions	0	544,839	847	545,686
AEA flowthrough	195,320	0	0	195,320
	195,320	544,839	847	741,006
Total expenditures	5,577,029	678,691	252,437	6,508,157
Excess(deficiency) of revenues over(under) expenditures	(181,983)	(158,708)	102,313	(238,378)
Other financing sources:				
Sales of equipment	13,105	0	0	13,105
Net change in fund balances	(168,878)	(158,708)	102,313	(225,273)
Fund balance beginning of year	417,821	735,039	184,836	1,337,696
Fund balance end of year	\$ 248,943	576,331	287,149	1,112,423

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (225,273)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 561,849	
Depreciation expense	<u>(115,128)</u>	446,721

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (3,720)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ 34,033	
ISEBA assessment	<u>28,081</u>	62,114

Changes in net assets of governmental activities (page 14) \$ 279,842

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 49,692
Inventories	2,847
Capital assets, net of accumulated depreciation(Note 5)	<u>38,859</u>
TOTAL ASSETS	<u>91,398</u>
LIABILITIES	
Accounts payable	13
Deferred revenues:	
Other	<u>2,717</u>
TOTAL LIABILITES	<u>2,730</u>
NET ASSETS	
Investment in capital assets, net of related debt	38,859
Unrestricted	<u>49,809</u>
TOTAL NET ASSETS	<u>\$ 88,668</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Charges for service	<u>\$ 124,156</u>
OPERATING EXPENSES:	
Food service operations:	
Salaries	64,227
Benefits	8,639
Services	4,884
Supplies	121,682
Other	2,458
Depreciation	4,214
TOTAL OPERATING EXPENSES	<u>206,104</u>
OPERATING LOSS	<u>(81,948)</u>
NON-OPERATING REVENUES:	
Interest	2
State sources	3,396
Federal sources	106,186
TOTAL NON-OPERATING REVENUES	<u>109,584</u>
Net income	27,636
Net assets at beginning of year	<u>61,032</u>
Net assets end of year	<u><u>\$ 88,668</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 123,678
Cash received from miscellaneous operating activities	169
Cash payments to employees for services	(72,866)
Cash payments to suppliers for goods or services	(109,650)
Net cash used in operating activities	<u>(58,669)</u>
Cash flows from non-capital financing activities:	
State grants received	3,396
Federal grants received	87,033
Net cash provided by non-capital financing activities	<u>90,429</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(4,410)</u>
Cash flows from investing activities:	
Interest on investments	<u>2</u>
Net increase in cash and cash equivalents	27,352
Cash and cash equivalents at beginning of year	<u>22,340</u>
Cash and cash equivalents at end of year	<u>\$ 49,692</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (81,948)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,153
Depreciation	4,214
Decrease in inventories	1,625
Decrease in accounts payable	(1,404)
Decrease in deferred revenue	(309)
Net cash used in operating activities	<u>\$ (58,669)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 49,692</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$19,153.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>Total Private- Purpose Trust</u>
ASSETS	
Cash and pooled investments	<u>\$          485,382</u>
TOTAL ASSETS	<u>485,382</u>
 LIABILITIES	 <u>0</u>
 NET ASSETS	
Reserved for scholarships	471,163
Unreserved	<u>14,219</u>
 TOTAL NET ASSETS	 <u>\$          485,382</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>Total Private- Purpose Trust</u>
Additions:	
Local sources:	
Interest income	<u>\$         28,898</u>
Deductions:	
Support services:	
Scholarship awarded	<u>         18,000</u>
Change in net assets	10,898
Net assets beginning of year	<u>         474,484</u>
Net assets end of year	<u><u>\$         485,382</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The A-H-S-T Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Avoca, Iowa, and the predominate agricultural territory in Shelby, Harrison, and Pottawattmie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, A-H-S-T Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The A-H-S-T Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Shelby, Harrison, and Pottawattmie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the instruction function exceeded the amount budgeted. The District also exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name.

At June 30, 2006, the District had investments in Certificates of Deposit with a maturity over one year as follows:

	Fair Value
Certificate of Deposit	\$ 175,721



(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	PPEL	<u>\$ 3,432</u>

The PPEL Fund received fire safety grant money and the expenditures were paid out of the General and Capital Project Funds. Therefore the PPEL Fund is repaying them. The balance will be repaid by June 30, 2007.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/2006	6/28/2007	<u>\$ 704,020</u>	219	705,000	174

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	<u>\$ 0</u>	500,000	500,000	<u>0</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 0	150,113	0	150,113
Construction in progress	0	302,786	0	302,786
Total capital assets not being depreciated	0	452,899	0	452,899
Capital assets being depreciated:				
Buildings	2,537,568	0	0	2,537,568
Land improvements	221,203	0	0	221,203
Machinery and equipment	1,373,366	108,950	32,498	1,449,818
Total capital assets being depreciated	4,132,137	108,950	32,498	4,208,589
Less accumulated depreciation for:				
Buildings	1,693,635	41,946	0	1,735,581
Land improvements	215,215	1,331	0	216,546
Machinery and equipment	1,112,127	71,851	32,498	1,151,480
Total accumulated depreciation	3,020,977	115,128	32,498	3,103,607
Total capital assets being depreciated, net	1,111,160	(6,178)	0	1,104,982
Governmental activities capital assets, net	\$ 1,111,160	(6,178)	0	1,557,881
Business-type activities:				
Machinery and equipment	\$ 189,288	4,410	0	193,698
Less accumulated depreciation	150,625	4,214	0	154,839
Business-type activities capital assets, net	\$ 38,663	196	0	38,859

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 24,972
Other	1,444
Support services:	
Operation and maintenance of plant services	1,216
Transportation	44,219
	71,851
Unallocated depreciation	43,277
Total governmental activities depreciation expense	\$ 115,128
Business-type activities:	
Food services	\$ 4,214

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early retirement	\$ 159,945	0	34,033	125,912	125,912

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-seven and must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a specified amount based on the age during the year of retirement. Early retirement benefits paid during the year ended June 30, 2006, totaled \$34,033.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$164,747, \$174,574, and \$164,453, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: long term disability and life.

District contributions to ISEBA for the year ended June 30, 2006 were \$33,343.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$195,320 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the instruction function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 3,008,109	124,158	3,132,267	3,069,586	3,069,586	62,681
Intermediate sources	59,357	0	59,357	0	0	59,357
State sources	3,028,117	3,396	3,031,513	3,095,273	3,095,273	(63,760)
Federal sources	174,196	106,186	280,382	241,032	241,032	39,350
Total revenues	6,269,779	233,740	6,503,519	6,405,891	6,405,891	97,628
Expenditures:						
Instruction	4,192,949	0	4,192,949	3,594,922	3,594,922	(598,027)
Support services	1,574,048	0	1,574,048	2,043,759	2,043,759	469,711
Non-instructional programs	154	206,104	206,258	225,104	225,104	18,846
Other expenditue	741,006	0	741,006	1,017,441	1,017,441	276,435
Total expenditures	6,508,157	206,104	6,714,261	6,881,226	6,881,226	166,965
Excess(deficiency) of revenues over(under) expenditures	(238,378)	27,636	(210,742)	(475,335)	(475,335)	264,593
Other financing sources, net	13,105	0	13,105	0	0	13,105
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(225,273)	27,636	(197,637)	(475,335)	(475,335)	277,698
Balance beginning of year	1,337,696	61,032	1,398,728	2,054,206	2,054,206	(655,478)
Balance end of year	\$ 1,112,423	88,668	1,201,091	1,578,871	1,578,871	(377,780)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the instruction function exceeded the amount budgeted. The District also exceeded its General Fund unspent authorized budget by approximately \$33,000.

OTHER SUPPLEMENTARY INFORMATION



A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 106,505	31,872	152,611	290,988
Receivables:				
Property tax:				
Current year delinquent	2,938	0	1,071	4,009
Succeeding year	140,000	0	55,199	195,199
TOTAL ASSETS	<u>\$ 249,443</u>	<u>31,872</u>	<u>208,881</u>	<u>490,196</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	3,432	3,432
Accounts payable	4,323	93	0	4,416
Deferred revenue:				
Succeeding year property tax	140,000	0	55,199	195,199
Total liabilities	<u>144,323</u>	<u>93</u>	<u>58,631</u>	<u>203,047</u>
Unreserved fund balances	<u>105,120</u>	<u>31,779</u>	<u>150,250</u>	<u>287,149</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 249,443</u>	<u>31,872</u>	<u>208,881</u>	<u>490,196</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 139,674	0	52,867	192,541
Other	8,062	153,711	436	162,209
TOTAL REVENUES	147,736	153,711	53,303	354,750
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	30,885	0	0	30,885
Other instruction	0	154,171	0	154,171
Support services:				
Administration services	18,904	0	0	18,904
Operation and maintenance of plant services	47,630	0	0	47,630
Other expenditures:				
Facility acquisition	0	0	847	847
TOTAL EXPENDITURES	97,419	154,171	847	252,437
Excess(deficiency) of revenues over(under) expenditures	50,317	(460)	52,456	102,313
Fund balance beginning of year	54,803	32,239	97,794	184,836
Fund balance end of year	\$ 105,120	31,779	150,250	287,149

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Marketing class	\$ 1,480	0	1,243	237
Drill team	122	0	77	45
Show choir	1,132	2,048	3,610	(430)
Drama	0	2,281	1,366	915
Misc.	1,462	9,752	6,639	4,575
Activity tickets	2,871	0	2,871	0
Boys basketball	1,509	7,208	7,457	1,260
Wrestling	0	5,704	4,199	1,505
Track/CC	12	3,154	5,235	(2,069)
Accural reserve	0	336	0	336
Golf	0	567	2,492	(1,925)
Football	2,031	22,999	22,288	2,742
Baseball	1,045	4,992	5,574	463
Girls basketball	(2,620)	7,436	0	4,816
Volleyball	(407)	7,023	5,964	652
Softball	2,001	2,657	5,486	(828)
JH dues	(646)	646	0	0
Interest	(1,612)	1,998	0	386
Padlock fund	(10,018)	10,018	0	0
Class of 04	0	525	0	525
Class of 05	(98)	98	0	0
Class of 06	1,463	663	2,254	(128)
Class of 07	(216)	8,213	6,900	1,097
Class of 08	(12)	0	92	(104)
Class of 09	(12)	0	61	(73)
Start up cash paid out	(200)	0	0	(200)
Annuals	(1,375)	3,615	3,825	(1,585)
H.S. Faculty	216	1,185	1,203	198
Cheerleaders-fb	1,596	2,742	2,128	2,210
Student activities	987	5,913	6,900	0
Vocal	(24)	1,188	1,425	(261)
FCCLA	2,084	3,378	5,972	(510)
Cash back	1,187	0	1,187	0
National honor society	518	1,875	2,041	352
Musical	2,356	0	330	2,026
Cheerleaders-BB	887	5,705	4,280	2,312
Cheerleaders-wrestling	1,103	937	1,440	600
Volleyball Camp	407	0	407	0
Elementary activity	2,966	2,811	3,143	2,634
Elementary faculty	269	1,353	1,407	215
Concessions	2,333	5,451	5,504	2,280
Sport supplies	(5,046)	5,046	0	0
Interest-MS	1,409	0	1,409	0
Padlock	210	0	210	0
Leadership	415	0	415	0
Cheerleader	12,364	0	12,364	0
Pop	(5,744)	5,744	0	0
Talent show	0	313	238	75
Trips	0	6,555	6,133	422
History day	533	0	533	0
Student	5,432	1,582	0	7,014
Middle school	1,691	0	1,691	0
Ice cream	6,178	0	6,178	0
Total	\$ 32,239	153,711	154,171	31,779

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS  
 JUNE 30, 2006

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 25,602	265,353	179,427	15,000	485,382
TOTAL ASSETS	25,602	265,353	179,427	15,000	485,382
LIABILITIES	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	24,318	256,124	175,721	15,000	471,163
Unreserved	1,284	9,229	3,706	0	14,219
TOTAL NET ASSETS	\$ 25,602	265,353	179,427	15,000	485,382

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN  
 FIDUCIARY NET ASSETS  
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 9,324	14,348	5,226	0	28,898
DEDUCTIONS:					
Support services:					
Scholarship awarded	0	12,000	6,000	0	18,000
Change in net assets	9,324	2,348	(774)	0	10,898
Net assets beginning of year	16,278	263,005	180,201	15,000	474,484
Net assets end of year	\$ 25,602	265,353	179,427	15,000	485,382

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,440,846	2,312,212	2,461,106	2,540,892
Tuition	203,872	84,692	83,747	67,769
Other	363,391	236,359	230,003	226,864
Intermediate sources	59,357	0	0	0
State sources	3,028,117	2,862,093	2,708,583	2,588,837
Federal sources	174,196	234,908	133,895	186,654
Total	<u>\$ 6,269,779</u>	<u>5,730,264</u>	<u>5,617,334</u>	<u>5,611,016</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,891,637	2,746,076	2,282,332	2,016,255
Special instruction	613,855	864,153	781,836	637,793
Other instruction	687,457	441,090	513,802	514,891
Support services:				
Student services	45,617	124,686	140,717	175,344
Instructional staff services	82,881	96,833	126,586	134,850
Administration services	586,907	560,376	585,361	532,109
Operation and maintenance of plant services	597,196	418,645	334,336	436,326
Transportation services	261,447	194,346	266,829	268,988
Non-instructional:				
Community service operations	154	0	0	0
Other expenditures:				
Facilities acquisitions	545,686	128,925	219,353	96,151
AEA flow-through	195,320	184,761	186,724	197,699
Total	<u>\$ 6,508,157</u>	<u>5,759,891</u>	<u>5,437,876</u>	<u>5,010,406</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
A-H-S-T Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 26, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered A-H-S-T Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether A-H-S-T Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of A-H-S-T Community School District and other parties to whom A-H-S-T Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of A-H-S-T Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 26, 2006



A-H-S-T COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-06 Transfers - We noted during our audit that the District has interfund payables/receivables which were on the balance sheets in the prior year and still on the current year balance sheets.

Recommendation - The District should repay the interfund loans. Money borrowed on a short term basis from a fund should be repaid before the year end.

Response - We agree with your recommendation and will correct immediately.

Conclusion - Response accepted.

I-C-06 Authorized Check Signatures - Checks written from the Nutrition Fund have two signatures; however, the board president is not signing all checks.

Recommendation - The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President can designate an authorized signer only upon approval in the board minutes.

Response - At the October 16, 2006 Board meeting we approved that the Superintendent and the principal's secretary can sign checks for the designated funds in the absence of the Board President.

Conclusion - Response accepted.

I-D-06 Travel Allowance - We noted during our audit that the Superintendent received a travel allowance that was not being run through payroll so the appropriate taxes could be deducted.

Recommendation - The Superintendent's travel allowance should be handled through the District's payroll system so the allowance can be subjected to the proper taxation.

Response - We agree with this recommendation and will correct it immediately.

Conclusion - Response accepted.

I-E-06 Student Activity Funds - During our audit concerns arose about certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of areas of concern are the following:

Registration fees collected for textbooks and classes should be transferred to the General Fund. Padlock accounts are rental fees and would be more appropriate in the General Fund. The start up cash account should not be reflected as a negative fund balance rather it should be shown on the balance sheet as cash on hand. The marketing class account should be reviewed to determine proper placement. If accounts are determined to be extensions of a class, the General Fund may be more appropriate. The Class of 2005 account should have been closed out upon graduation and the remaining funds reallocated to other individual accounts in the Student Activity Fund.

The High School Faculty and Elementary Faculty accounts appear to be intended for use by teachers for break room beverages. These accounts do not appear to be extracurricular or cocurricular in nature. The accounts used by the teachers may be more appropriate in the General Fund.

Donations made to a District should be placed in the most appropriate place based upon the donor request. Target and Box Tops for Education donations are to schools for instructional materials and supplies. The most logical place to record the revenue and subsequent purchase would be the General Fund. The District should record future donations from Target and Box Tops for Education in the General Fund.

Response - The accounts in question will be closed out. The monies in these accounts will be placed in the suggested funds. In the future, Target and Box Tops for Education donations will be placed in the General Fund.

Conclusion - Response accepted.

A-H-S-T COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006 exceeded the amount budgeted in the instruction functional area. The District also exceeded its unspent authorized budget for the year ended June 30, 2006 by approximately \$33,000.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue.

Response - In the future, the budget will be amended when necessary. The School Budget Review Committee and the District have addressed the unspent authorized budget issue.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.

Recommendation - The District should contact the bank and request to receive the proper interest rate on the certificate of deposit.

Response - We agree with this recommendation and will correct it immediately.

Conclusion - Response accepted.

- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-06 Financial Condition - The District had eleven accounts with deficit balances in the Student Activity Fund as of June 30, 2006. The total of these deficit accounts was \$8,113.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - We are monitoring these accounts.

Conclusion - Response accepted.